

Memorandum

To: Members, Transit Task Force

From: Mark Winston *MW*

Subject: Agenda for Task Force Meeting on October 5th, 2011

Date: October 3, 2011

The purpose of this memorandum is to afford Task Force Members advance notice of the items planned for the agenda of our next meeting, and to give Members an opportunity to think about the issues that will be discussed.

1. The first agenda item will be a **report** on the status of the efforts of the Economic Case Working Group by David McDonough.
2. The second agenda item will be a **report** from the Working Group on Routes and Development Sequencing. It is anticipated that the report will be in two parts: (a) a proposal correcting the route adjustments previously preliminarily approved by the Task Force; and (b) a proposal for the phasing of the build-out of the RTV system preliminarily approved by the Task Force. Both topics (a) and (b) will be **discussed** and, if the Task Force is prepared to do so, **action** on draft resolutions relating to the items will be taken.
3. The third item will be a **discussion** of certain basic issues relating to the financing of the RTV system. This is being presented for the purpose of obtaining guidance from the Task Force on certain fundamental questions to be considered by the Finance Working Group (Group E).

The fundamental assumption for this discussion is that the burden of funding both capital costs and operating deficits will fall primarily on the State and the County. Furthermore, it is assumed that traditional funding sources, such as a major infusion from the State Transportation Trust Fund¹, is not possible, and that use of the normal funding and financing processes of the County, such as general obligation bonds, income taxes and general property taxes are also not a viable alternative. Again, in developing a plan of finance, we should assume that, whatever capital costs are not borne by private parties or by the contribution of physical assets by the County or private

¹ While the General Assembly may consider revenue increases that will be dedicated to the State Transportation Trust Fund, we cannot assume such action will be taken, or taken to such an extent and in such a time frame that will be helpful to the County in its planning.

parties, will be funded by the issuance of special purpose bonds. Notwithstanding the above, it must be understood that any discussion of special taxing districts and use of special purpose bonds to fund capital improvements at this time must remain in the nature of general policy discussions because we do not yet have capital and operating cost information on which a useful and specific discussion may be based (and that any discussion of such cost estimates should first be fully vetted by Group E before presented to the full Task Force for its consideration).

Assuming that the vast majority of both capital and operating costs for the RTV system will be funded locally, the basic questions to be discussed will include, but will not necessarily be limited to the following:

a. Does the Task Force want to adopt the use of one or more special taxing districts to be a source of revenue to support debt service on bonds issued to defray capital costs associated with development of the RTV system?

b. If the answer to the previous question as to capital costs is "yes", how should the geographic area of such special taxing district (s) be drawn? On whom or what entities should any real property tax be imposed? (Should the party or parties on whom such a tax be assessed be exclusively residential properties, exclusively commercial properties, or both residential and commercial properties?)

c. Does the Task Force want to adopt the use of one or more special taxing districts [distinct from the special taxing districts referred to in clause (a) above] to be a source of revenue to defray operating deficits arising from the operation of the RTV system?

d. If the answer to the previous question as to operating costs is "yes", how should the geographic area of the special taxing district be drawn? On whom or what entities should any real property tax be imposed? Should there be a differential in the rate paid by the tax payers based on any factors such as proximity to RTV system routes?

What is contemplated by the use of special taxing districts would be a mechanism for collecting monies generated by a marginal increase in the *ad valorem* real property tax, and would be based on the tax base existing when the proposal is adopted. Stated another way, the projections of income from any such tax would be based on existing real estate values, not any projected increase in the tax base derived from the development of the RTV system. As the value of real estate increases due to the proximity of the RTV system, decisions will need to be made regarding creating a sinking fund which would be available to fund future system expenditures, or reducing the special district tax rate in order to balance revenues with expenditures.

When we have made decisions on these basic questions, Group E will be able to move ahead with consideration and development of specific scenarios for future consideration.

The Task Force will begin its discussion of these issues at the meeting on October 5th. Given the importance and nature of the subject, additional time will be devoted to the discussion at the next Task Force meeting, if necessary.